# Senior Investors Bulletin

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# Senior Investors Bulletin

Senior Americans cannot leave the fate of their retirement nest eggs to chance. There is always some element of uncertainty in investing, but when the money at stake represents a lifetime of savings or a lump sum pension payment—money that is crucial for retirement and cannot be recaptured—taking undue risk may spell disaster. Unfortunately, it can sometimes be difficult for senior investors to know when the risk is too great, or when they are being misled into investing in products that are unsuitable for their needs.

There are a number of practices in the "legitimate" investment industry that pose serious problems for the millions of senior investors who rely on investment income to make ends meet. Even if the industry and regulators adopt substantial reforms to correct these problem practices, older Americans must still get actively involved in overseeing their investments.

Following are ten self-defense tips developed for older Americans by the North American Securities Administrators Association, Inc. (NASAA):

1. **Don't be a "courtesy victim!"** Older Americans are of the generation that was taught to be courteous at all times to phone callers as well as to people who visit them at home. Con artists will not hesitate to exploit the good manners of a potential victim. Remember that a stranger who calls and asks for your money is to be regarded with the utmost caution. In almost all cases, unsolicited investment opportunities are not worth your time. You are under absolutely no obligation to stay on the telephone with a stranger who wants your money. Under these circumstances, it is not impolite to explain that you are not interested and hang up the phone.

2. **Check out strangers touting "strange" deals.** Trusting strangers is a mistake that many older Americans make when it comes to their personal finances. Say "no" to any investment professional or con artist who presses you to make an immediate decision, giving you no opportunity to check out the salesperson, the firm, and the investment opportunity itself. Extensive background information on investment salespeople and firms is available from the Secretary of State Todd Rokita's Securities Division (317-232-6681 or 1-800-223-8791).

Almost all investment opportunities must be registered for sale in the State of Indiana. The Securities Division can tell you if the investment opportunity is properly registered. Before you part with your hard-earned savings, get written information about the investment opportunity, review it carefully, and make sure that you understand all the risks involved. A favorite tactic of telemarketing con artists is to develop a false bond of friendship with older Americans. Swindlers know that many senior citizens are eager to have someone to talk to on the phone, even a complete stranger. If you are dealing in person with a stockbroker or financial planner, do not be swayed by offers of unrelated advice and assistance that are merely efforts to develop a sense of friendship and even dependency. If you are lonely and in need of companionship, do not make the mistake of seeking it from someone whose only interest is to get his/her hands on your money.

3. **Always stay in charge of your money.** A stockbroker, financial planner, financial advisor, or financial specialist will be more than happy to assure you that he/she can handle everything, thereby relieving you of the need to watch over and protect your nest egg. Beware of any financial professional who suggests investing your money in something you do not understand, or who urges that you leave everything in his/her hands. Constant vigilance is a necessary part of being an investor. If you understand little about the world of investments, take the time to educate yourself or to involve a family member or a professional, instead of trusting a stranger who wants you to turn over your money and then sit back and wait for results. The bottom line for investors should be the following: unless your understanding of the ways you can lose money is equal to your understanding of the ways you can make money, you should not invest.

4. **Never judge a person's integrity by how he/she sounds.** All too many older Americans who get wiped out by con artists later explain that the swindler sounded like such a nice man or woman. Successful con artists sound extremely professional, and have the ability to make even the flimsiest investment deals sound as safe and reliable as putting money in the bank. Some swindlers combine professional-sounding sales pitches with extremely polite manners, knowing that many older Americans are likely to equate good manners with personal integrity. Remember, the sound of a voice, particularly on the phone, has no bearing on the soundness of an investment opportunity.

5. **Watch out for salespeople who prey on your fears.** Con artists know that many older Americans worry they will either outlive their savings or see all of

their financial resources vanish overnight as the result of a catastrophic event, such as a costly hospitalization. As a result, it is common for swindlers and abusive salespeople to pitch the schemes as a way for older Americans to build up their life savings to the point where such fears are no longer necessary. Remember that fear and greed can cloud your good judgment and leave you in a much worse financial posture. An investment that is right for you will make sense because you understand it and feel comfortable with the degree of risk involved.

6. **Exercise particular caution if you are an older woman with no experience handling money.** Ask a con artist to describe his ideal victim, and you are likely to hear the following two words: "elderly widow." Sadly, many women who are now in their retirement years often received little or no education in their youth about how to handle money. Women of this generation often relied on their husbands to handle most or all major money decisions. As a result, older women, particularly those who have received windfall insurance payments in the wake of their spouse's death, are prime targets for con artists. Elderly women who are on their own and have little know-how about handling money should always seek the advice of a family member or a disinterested professional before deciding what to do with their savings. One excellent resource available nationwide is the Women's Financial Information Program at the American Association of Retired Persons (AARP). For more information, write to the following:

    Women's Financial Information Program
    AARP Consumer Affairs
    601 E. Street, NW
    Washington, DC 20049.

7. **Monitor your investments and ask tough questions.** Too many older Americans not only trust unscrupulous investment professionals and outright con artists to make initial financial decisions for them, but compound their error by failing to keep an eye on the progress of the investment. Insist on regular written and oral reports. Look for signs of excessive or unauthorized trading of your funds. Do not be swayed by assurances that such practices are routine or in your best interests. Do not permit a false sense of friendship or trust keep you from demanding a routine statement of your savings. When you suspect that something is amiss and get unsatisfactory explanations, call the Securities Division (317-232-6681 or 1-800-223-8791) to complain.

8. **Be suspicious if you have trouble retrieving your principal or cashing out profits.** Many older Americans have little ongoing need for investment funds, while others require returns that are paid out regularly in order to supplement limited incomes. If a stockbroker, financial planner, or other individual with whom you have invested stalls you when you want to pull out your principal or profits, you may have uncovered someone who wants to cheat you. Unscrupulous investment promoters pocket the funds of their victims and go to great lengths to explain why an investor's savings are not readily accessible. In many cases, they will pressure the investor to "roll-over" non-existent "profits" into new and even more alluring investments, thus further delaying the point at which the fraud will be uncovered. If you are not investing in a vehicle with a fixed term, such as a bond, you should be able to retrieve your funds or profits within a reasonable amount of time.

9. **Do not let embarrassment or fear keep you from reporting investment fraud or abuse.** Older Americans who fail to report that they have been victimized in financial schemes often hesitate out of embarrassment or the fear that they will be judged incapable of handling their own affairs. Some senior citizens have indicated that they fear that their victimization will be viewed as grounds for forced institutionalization in a nursing home or other facility. Recognize that con artists know about such sensitivities and, in fact, count on these fears in order to prevent or delay the point at which authorities are notified of a scam. A good resource for older Americans who fear that they have been victimized by financial fraud is the Securities Division.

10. **Beware of Affinity Fraud and "reload" scams.** Con artists realize that many older Americans have affiliations with certain groups, like churches. Con artists will sometimes claim to be members of the same group to gain your trust. Just because a broker belongs or claims to belong to the same group as you do does not guarantee the broker will be any better or more trustworthy with your money. Remember to ask the person who wants you to invest with them about any activities in which the group has participated or question them about things only other members would know. Even if they are really a member of your group, do not assume they are automatically trustworthy!

    Some con artists have developed schemes to take a "second bite" out of senior citizens that the con artist has already victimized. Faced with a loss of funds, some senior citizens will go along with another scheme (allowing themselves to, in effect, be reloaded) in which the con artists promise to make good on the original funds that were lost and possibly generate new returns beyond those originally promised if the victim will invest a bit more. Though the desire to make up lost financial ground is understandable, all too often the result is that unwary senior citizens lose whatever savings they have left in the wake of the initial scam and possibly more in the second scam.

FOR MORE INFORMATION, CONTACT US
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